

Welcome to the Annual Rental Compliance Workshop!

- This is our first virtual workshop.
- Please change your participant name to your first name, last name, and agency.
Example: Irene Marsh-Elmer, Lake County Community Development
- There will be opportunities to ask questions verbally. You may also type questions into the chat box.
- The slides will be available after the workshop on the Lake County website.

Annual Rental Compliance Workshop

Lake County Monitoring Activities for Rental Properties

July 22, 2020

Introductions

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Agenda



Background



Eviction Moratorium



Part 1: Overview of Lake County monitoring activities



Part 2: Income Qualifying Tenants



Questions



Note: “ *(for reference)* ” slides will not be discussed today

Background

- Lake County Community Development (Lake County) distributes “HOME,” “CDBG,” and “NSP” funds that come from HUD.
- These funds help pay for the building, acquisition, or rehab of properties intended to be sold or rented to low-income residents. Property managers must rent a portion of those units to low-income tenants for a predetermined “period of affordability” (or sell to low-income homebuyers).
- HUD has several requirements to ensure compliance.
- These requirements are detailed in the legal documents between the property owner and the county.

This workshop specifically discusses rules for HOME funds. CDBG, NSP, and AHP share similar rules but may differ.

Terms and definitions

“PJ” or **“Participating Jurisdiction”** – the entity that distributes HUD funding to the area (Lake County)

“Property Owner” or **“Developer”** – the entity that receives HUD funding for a project

“Property manager” – the entity responsible to qualify tenants and submit annual compliance documents to the PJ

“Period of Affordability” or **“Affordability Period”** – the time period the property owners must rent HOME units to qualified low-income tenants (typically 5, 10, 15, or 20 years)

“HOME units” – the portion of units in a development that must be rented according to HOME rules

“HOME Rent Limits” – the maximum amounts that owners can charge tenants for HOME units

“HOME Income Limits” – the maximum amount of income tenants can have to qualify for HOME units

“AMI” or **“Area Median Income”** – the categories of income level tenants may fall under. HOME programs may target benefits to tenants at 80% AMI, 60% AMI, 50% AMI, or 30% AMI

“Low-Income” – a household where the household income is not greater than 80% AMI

“Noncompliant” or **“out of compliance”** – when HOME rules are not followed; may result in repayment of funds

Important Documents

Income & Rent Limits

- Summary of the important limits released by HUD
- Lake County sends to property managers annually
- Limits all have specific “effective dates”

Grant agreement, mortgage, Land Use Restriction Agreement (LURA)

- Legal documents signed when funds are distributed
- Outline all the rules/responsibilities of each party

Annual compliance documents

- HUD-required documents Lake County must collect from each property

Responsibilities of the PJ (Lake County)

To the property managers:

- ☐ Abide by the agreement between the county and the property owner.
- ☐ Distribute the income and rent limits annually.
- ☐ Be available for questions and concerns regarding the property.

To tenants:

- ☐ Ensure the property manager complies with HOME regulations.

To HUD:

- ☐ Abide by all HOME rules and regulations.
- ☐ Collect annual documentation that serves as evidence of abiding by HOME rules.
- ☐ Inspect properties to ensure property standards.
- ☐ Monitor properties to ensure record keeping.

Responsibilities of Property Managers

To the county:

- ☐ Abide by the agreement between the county and the property owner.
- ☐ Income-qualify tenants and keep necessary paperwork as documentation.
- ☐ Submit annual compliance documents to the county.
- ☐ Submit requests to the county prior to changing rent or utility allowances.

To tenants:

- ☐ Abide by all rules as defined in the lease.
- ☐ Notify tenants of changes in rent (30-45 days, depending on your agreement).
- ☐ Maintain property standards.

To HUD: Abide by all HUD rules, including:

- ☐ Following income and rent limits,
- ☐ Using leases with no prohibited lease terms, and
- ☐ Maintaining records

Eviction Moratorium

Section 4024 of the Coronavirus Aid, Relief, and Economic Security (CARES) Act

March 27-July 24, 2020 – May be extended

Applies to HOME, NSP, and CDBG

Moratorium Rule

- An owner/property manager cannot:
 - Make, or cause to be made, any filing with the court of jurisdiction to initiate an eviction (e.g., an unlawful detainer action, complaint) for nonpayment of rent or other fees or charges; or
 - Charge fees, penalties, or other charges to the tenant related to nonpayment of rent.

If an owner did not provide the tenant with an eviction notice before March 27, 2020, the owner may not issue such notice until after the 120-day period.

Moratorium Applicability

- Applies to HOME, NSP, and CDBG
 - All HOME-assisted units in rental projects that received HOME assistance and are currently within the period of affordability
 - All residential units in properties that received a HOME loan and are currently within the term of repayment
 - All CDBG or NSP-assisted units that received a loan (including forgivable loans) from Lake County that is currently in repayment or within the period of affordability and is secured by a lien on the residential property.

Moratorium Responsibilities

- All owners or managers must provide tenants with information about their due process rights under the HOME Program.
- We encourage property owners and managers to provide as much flexibility as possible to tenants with respect to repayment of delinquent rent payments after expiration of the moratorium.
- If your tenants are struggling to pay their rent, please let them know that they may be eligible for assistance with rent or utility bills. If they need assistance, they may call 211.

Additional State of Illinois Eviction Moratorium

Per COVID-19 Executive
Order No. 37

April 23- *Now extended
through August 22, 2020*

Applies to residences

COVID Housing Relief Program (CHRP)

- Program for relief of up to 3 months of rent and utility bills for households impacted by COVID-19
 - Renters: Rent, gas, electric
 - Homeowners: Gas, electric
- Eligibility:
 - Lake County resident
 - Financial impact related to COVID-19
 - Household income at or below 80% Area Median Income (AMI)
 - Limited liquid assets
- Applicants should call 211

Part 1: Overview of Lake County Monitoring Activities

1.1. Filling out and submitting annual compliance forms (rental properties)

1. 2. Inspections

1. 3. Onsite Monitoring

Part 1.1: Annual Compliance Important Documents and Forms

1. Income & Rent Limits
2. Standard Rent and Occupancy Log Report or Group Home Rent and Occupancy Log Report (income logs)
3. Property Standards Certification
4. Rent Increase Approval Form

Income Limits (Income & Rent Limits)

Income Limits ¹								
AMI	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30%	\$19,150	\$21,850	\$24,600	\$27,300	\$29,500	\$31,700	\$33,900	\$36,050
50%	\$31,850	\$36,400	\$40,950	\$45,500	\$49,150	\$52,800	\$56,450	\$60,100
60%	\$38,220	\$43,680	\$49,140	\$54,600	\$58,980	\$63,360	\$67,740	\$72,120
80%	\$51,000	\$58,250	\$65,550	\$72,800	\$78,650	\$84,450	\$90,300	\$96,100
100%	\$63,700	\$72,800	\$81,900	\$91,000	\$98,300	\$105,600	\$112,900	\$120,200
120%	\$76,440	\$87,360	\$98,280	\$109,200	\$117,960	\$126,720	135,480	\$144,240

CDBG and HOME Effective: July 1, 2020

Rent Limits (Income & Rent Limits)

Rent Limits							
	0 BR	1 BR	2 BR	3 BR	4 BR	5 BR	6BR
Low HOME Rent	\$796	\$853	\$1,023	\$1,183	\$1,320	\$1,456	\$1,592
High HOME Rent	\$956	\$1,076	\$1,248	\$1,504	\$1,659	\$1,811	\$1,964

Fair Market Rent	\$956	\$1,076	\$1,248	\$1,585	\$1,888	\$2,171	\$2,454
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50% Rent Limit**	\$796	\$853	\$1,023	\$1,183	\$1,320	\$1,456	\$1,592
65% Rent Limit**	\$1,016	\$1,090	\$1,309	\$1,504	\$1,659	\$1,811	\$1,964

Effective: July 1, 2020

- FMR is used for group homes only
- 50%/65% Limits for informational purposes only – not applicable to HOME

The forms: Standard/ Group Home Rent and Occupancy Log Report

One format, two types

1. Standard – SFH, apartments, and transitional housing (SRO)
2. Group Home

The log reports **have changed since prior years**

- You must complete and submit the logs in *an editable electronic format only*
- You do not need to sign the report. Your signature on the Property Standards Certification confirms the log report is accurate.
- **You must submit TWO REPORTS this year: 2018-2019, 2019-2020**

2016-2017

2016 - 2017 Lake County Annual Income Certification and Rental Compliance Log for Group Homes - HOME, CDBG, LCAHP

Owner Name:		Project Name:		Project Number:		Page		of	
Project Address:		Project Type/Info:	Group Home - #Bedrooms	Reporting Period:	July 1	2016	June 30		2017

[illegible]

This is to certify that the above information is accurate.

Signature:	
Date:	
Typed Name:	
Title:	

Race Code

11 = White 12 = Black/African American 13 = Asian
14 = American Indian/Alaska Native
15 = Native Hawaiian/Other Pacific Islander
16 = American Indian/Alaska Native & White
17 = Asian & White
18 = Black/African American & White
19 = American Indian/Alaska Native & Black/African American
20 = Other Multi Racial

For County purpose only:

Reviewer: _____

Date Reviewed: _____

2019-2020

2019-2020 Standard Rent and Occupancy Log Report

[illegible]

Standard vs. Group Home Form

- Both forms have demographic, income, and lease information
- The main difference is the **allowable rent**
 - Standard Form requires you to indicate whether the unit is High HOME (HH) or Low HOME (LH) and fill in the associated rent limit. This is uniform across all HH or LH units of the same unit size.
 - Group Home Form requires you to treat the unit as **one fair market unit** and split the rent equally among occupants. The total rent allowed **will change with the number of occupants in the unit.**

Standard

Project Type (SFH/APT/TH):	
Project Number:	
Reporting Period:	July 1, 2018 - June 30, 2020

2019-2020 Group Home Rent and Occupancy Log Report

[illegible]

Information on the form: top portion

- Person Completing Form, Title, Management Agency, Date
- Project name: The name of the project or building (i.e. Sunset Place, Shady Lane)
- Project address: The address of the building. **Each address must have its own log, even if they belong to the same project.** (ex: 123-125 Oak St. must fill out one log for 123 Oak St. and one log for 125 Oak St.)
- Grantee name: The nonprofit that received the funding.
- Project type: Check the box for SFH (single family housing), APT (apartment), or TH (transitional).
 - **If the housing is a group home, use the group home form and indicate number of bedrooms (not number of tenants)**
- Project number: The number on your grant agreement (ex: H9621, C0844)
- Reporting period: This will be filled in. Always July 1st to June 30th of the following year.

Household data

- Unit number: number of the unit. (ex: 101, 201)
 - If a group home, put the bedroom number (ex: 1, 2). If the room is shared, split into A and B (ex: 1A, 1B, 2A, 2B)
- Tenant name: The head of the household (highest wage earner.)
- Race/ethnicity: use the number code 10-20 that correlates to the correct race in the instructions (ex: 11=white, 09=vacant). Use race of the head of the household.
- 3b Hispanic head of household: “y” for yes or “n” for no
- Type of household: use the number code 1-5, 9, or 10 that correlates to the type of household in the instructions (ex: 3 =single parent)
- Size of household: enter the number of persons living in the unit. **Only enter the number of persons who qualify as household members. (more in Part 2)**

Income data

- Gross annual household income: **Calculated according to the rules discussed in part 2.**
- Percent of area median: enter the number code that correlates to the correct % AMI the household falls under. To find what percentage AMI the household is, compare their gross annual household income to the *Income & Rent Limits* document handout. **Make sure you are using the document that is effective as of the date you are certifying the tenant.**
- Date of last applicable certification: Indicate the date you reviewed the source documentation to certify the tenant. **This must be less than 6 months prior to the lease date.**

Income Limits

Income Limits ¹								
AMI	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
30%	\$19,150	\$21,850	\$24,600	\$27,300	\$29,500	\$31,700	\$33,900	\$36,050
50%	\$31,850	\$36,400	\$40,950	\$45,500	\$49,150	\$52,800	\$56,450	\$60,100
60%	\$38,220	\$43,680	\$49,140	\$54,600	\$58,980	\$63,360	\$67,740	\$72,120
80%	\$51,000	\$58,250	\$65,550	\$72,800	\$78,650	\$84,450	\$90,300	\$96,100
100%	\$63,700	\$72,800	\$81,900	\$91,000	\$98,300	\$105,600	\$112,900	\$120,200
120%	\$76,440	\$87,360	\$98,280	\$109,200	\$117,960	\$126,720	135,480	\$144,240

CDBG and HOME Effective: July 1, 2020

Lease period

- **The lease period must cover all of the reporting period.** You must report on every lease (and every tenant) that has lived in that unit from July 1st to June 30th.
- **Fill out a separate line for each lease that occurred during the reporting period.** If the lease period is not July 1-June 30, then **you will fill out multiple lines per unit**
 - Example: Tenant A lived in the unit from June 1st, 2018-July 18th, 2018. Tenant B lived in the unit from July 21st, 2018-July 21st, 2019. Fill out the form with one line for Tenant A and one line for Tenant B.
 - Example: Tenant A has lived in the unit for 3 years, but their lease term is from August 1-July 31 of each year. Fill out the form with one line for each lease, even if the tenant's other information does not change.
- **All tenants must have a lease.** If the lease is for less than 1 year, there must be a signed form in the tenant's file that indicates the tenant understands they are entitled to a lease term of 1 year and would prefer a shorter lease period.
- The date of the beginning of the lease term must be within 6 months of the date the property manager income-certified the tenant.

Rent data: STANDARD FORM

- # of bedrooms: indicate the number of bedrooms in the unit. This is the unit size and determines how much rent may be charged.
- Low or High HOME unit: Your legal documents define # of units limited to LH and HH rent.
- Applicable HOME rent maximum: Fill in the maximum rent limit indicated on the Income & Rent Limits document handout in the Low HOME Rent or High HOME rent row. Make sure you are using the sheet with an effective date that corresponds to the start date of the lease.
- Utility allowance: if utilities are not included (\$0), then your utility allowance must be approved by Lake County along with your rent.
- Actual maximum rent: **SUBTRACT** the utility allowance from the rent maximum to determine the actual maximum rent.* *HUD HOME limits include utilities* (the excel form will calculate for you)
- Tenant rent contribution: enter the actual amount the tenant pays.

If you are not clear on your number of low or high HOME units or utility allowance,
contact Michele Slav.

Rent data: GROUP HOME FORM

- Shared room status yes/no: Indicate whether the tenant shares a room.
- Applicable Fair Market Rent/Unit (for calc. basis only): Fill in the rent limit indicated on the Income & Rent Limits document handout in the Fair Market Rent row. Make sure you are using the sheet with an effective date that corresponds to the start date of the lease.
- Actual maximum rent: This is calculated for you based on the number of bedrooms and whether or not they are shared.
 - Ex: the FMR is 1500 for a 3 bedroom unit, so each bedroom may be rented for \$500. If bedroom 1 is a single, max rent is \$500 for that tenant. If bedroom 2 is shared, max rent is \$250 for each tenant.
- Tenant rent contribution: enter the actual amount the tenant pays.

Rent data: BOTH FORMS

- Subsidy amount: if the tenant receives a subsidy, enter the dollar amount here. This can be a subsidy provided to the tenant for rent or provided directly to the landlord.
- Subsidy type: enter the number code 1-5 or 9 that corresponds with the type of subsidy as indicated in the instructions. (ex: 1=Section 8)
- Total rent: This is calculated for you.
- Approved rent: Most recent amount approved on a Rent Increase Approval Form for unit

Over Income: BOTH FORMS

- Over-income household: If the household is currently over the income allowed by the HOME program, indicate “Yes.” The household should be within the income limits at the time of their initial lease, but their income may have increased. **Temporary noncompliance is OK, and you will never evict a tenant if their income increases.** If a tenant is over income limits, contact Lake County for guidance. This will likely result in a higher rent being charged, but there are many potential outcomes due to the specific circumstances of that housing development.
- Compliant: Leave blank

The forms: Property Standards Certification

- Certifies that the property owner is maintaining the property up to standards as agreed to in the grant agreement
- Required every year along with Income and Rent and Occupancy Log Report

Property Standards Certification cont.

- HOME project number: the number assigned by Lake County (ex: H9621, C0844)
- Project developer: the organization that developed the project
- Project address: the address of the building. You may use multiple addresses with a semicolon between them (make sure there is 1 entry of project number for every 1 entry of address)
- Total units: all units in the building, even fair market units or units designated for other programs
- HOME units: the units that used HOME dollars and are required to comply with annual certification documents discussed in this presentation. (Low HOME, High HOME, and fair market rent group homes)
- You must sign this form**

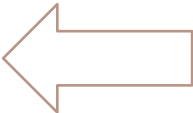
The forms: Rent Increase Approval Form

- Required **each time** a property manager intends to increase rent
- Required **each time** a property manager intends to adjust utility allowance
 - If adjusting the utility allowance, backup documentation is required (HUD approval, etc.,)
- Must be submitted in advance to allow the county to approve the form (45 days) and appropriate notice to the tenants (30 days)
- Must be approved by Lake County – “approval” is a signed form, returned to the property manager via email
- The approvals must be kept in the tenant file and be present during on-site monitoring

Rent Increase Approval Form cont.

- Project information (project number, HOME units, etc.)
- Current Rent and Utility Allowance, Proposed Rent and Utility Allowance
- Must include documentation showing calculation of Utility Allowance

High HOME, Low HOME, or FMR	Current Monthly Rent (without utility allowance)	Current Utility Allowance	Proposed Monthly Rent (without utility allowance)	Proposed Utility Allowance	Total tenant housing cost (including utilities)



Must be lower than HOME Rent Maximum

Part 1.2: Inspections

- All rental properties must be inspected every 1-3 years – depending on past performance
- Process:
 - Property manager is contacted to schedule the inspection
 - The inspector reviews the property against HQS standards
 - Community Development will follow up with the property manager to identify whether corrective actions must be taken
 - The property manager must submit evidence of corrective action – work orders, photos, etc.
- Inspection information should be kept in the files and available for review during on-site monitoring

Inspections Temporarily Suspended

Lake County has
temporarily suspended
onsite inspections

They will be required no
later than 120 days from
December 31, 2020

Part 1.3: On-site Monitoring

- All rental properties must be on-site monitored every 1-3 years
- Lake County Community Development will be monitoring all HOME rental projects this year
- Process:
 - Community Development will notify the property manager of the monitoring visit
 - The property manager must submit the project documents ahead of time
 - The day of the on-site visit, Community Development staff will review tenant files onsite (leases, income certifications and recertifications, rent increase approval forms, etc.)
 - After the visit, the property manager must correct deficiencies and submit evidence

Questions on Part 1?

- 1.1. Filling out and submitting annual compliance forms (rental properties)
- 1. 2. Inspections
- 1. 3. Onsite Monitoring

Part 2: Income Qualifying Tenants

- Resources
- Income Targeting
 - Terms
 - Rules
- Basics of determining income
- Verifying tenant income – BRIEF Overview of Annual Gross Income Eligibility Process
 - Step 1: Collect Application
 - Step 2: Calculate Income
 - Step 3: Compare to HOME income limits
 - Step 4: Document

Resource: Webinar

Determining Income for the HOME Program - HUD Webinar June 2018

<https://www.hudexchange.info/trainings/courses/determining-income-for-the-home-program-session-1/2532/>

- Income basics
- Definitions and Household Composition
- Verification of Income
- Part 5 and IRS Definitions
- Adjusted Income and Tenant Based Rental Assistance
- Overview of CPD's income calculator

Resource: Income Guidebook

Technical Guide for Determining Income and Allowances Under the HOME Program – HUD Guidebook January 2005

<https://www.hudexchange.info/resource/786/technical-guide-for-determining-income-and-allowances-for-the-home-program/>

- General requirements
- Calculating annual gross income
- Calculating adjusted income
- Calculating assistance amounts
- Exhibit 3.1 Part 5 Annual Income Inclusions
- Exhibit 3.2 Annual Income Exclusions

Resource: Income Tool

CPD Income Eligibility Calculator – HUD Tool

<https://www.hudexchange.info/incomecalculator/>

- Generates a summary of results for each beneficiary.
- You should then print out the summary and include it as part of the tenant's file.

CPD Income Eligibility Calculator User Manual

<https://www.hudexchange.info/resources/documents/CPDIncomeEligibilityCalculatorUserManual.pdf>

Resource: HOME Guidebook

Compliance in HOME Rental Projects: A Guide for Property Owners – HUD Guide 2009

https://www.hud.gov/sites/documents/19760_2009HOMERENTALPO.PDF

- HOME Requirements
- Property Owner's Responsibilities
- Maintaining affordability
- Finding and keeping tenants
- Maintaining the physical asset
- Monitoring for HOME compliance and Property Performance

Income Targeting: Terms

- **Low-income** is the term used to refer to recipients of HOME funds. All tenants must be at or below 80% AMI.
- **High HOME** units or **Low HOME** units: Whether your HOME unit is designated as High HOME (HH) or Low HOME (LH) determines **who** you can rent the unit to and **how much** rent you can charge.
 - Your grant agreement will specify whether your unit is High HOME, Low HOME, or a group home (which can collect Fair Market Rent)
 - Your grant agreement will specify the maximum AMI level for tenants in your LH or HH units.
 - Your grant agreement will specify the maximum rent you may charge. The LH or HH limit on the Income & Rent Limits sheet is the maximum that you may be approved for, but you must receive approval for your rent amount even if it is below the maximum.

Determining Income: Basics

- Annual gross income is used to determine eligibility.
 - This is the sum of income for all household members expected to reside in the unit.
 - Must be determined using the Part 5 (Section 8) definition of income.
- *(For reference):*
 - Adjusted income is used to determine rent ONLY:
 - if the unit is subsidized with a voucher or
 - If the tenant is temporarily over-income in a HOME unit

Overview of Annual Gross Income Eligibility Process

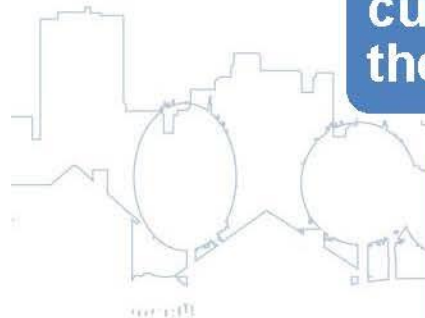
**Step 1: Collect & Analyze
Application, Release from
HH, and Income and Asset
Source Documentation**

**Step 2: Calculate HH Income
Using Worksheet & Project
Forward**

If Part 5 (Section 8) definition, asset calculation

**Step 3: Compare amount of
projected income against
current HOME income limits for
the household size**

**Step 4: Document
files**



Step 1: Collect Application

- Your application should include:
 - A list of all household members and their age
 - Income and assets of all adult household members
 - Questions about anticipated income changes
 - If obtaining information from a third party, the tenant must sign a release form
- When reviewing Income and Rent Limits, you will be looking at 2 main items:
 - # of persons in the household, or **household (HH) members**
 - income the household brings in, or **household (HH) income**
- Once you collect income information, that information is good for 6 months. Always document the date you collect and verify income information.

<i>Step 1: Collect Application cont.</i> Household members and income	Include in # of HH members?	Include in # of HH income?
All adults who live in the residence, regardless of familial status	YES	YES
Foster children, legal kinship guardians, or foster adults	NO	NO
Live-in aids/children of live-in aids	NO	NO
Temporarily absent household members expected to return (temporarily incarcerated, seasonal workers, active military)	YES	YES
Permanently absent household members not expected to return (residents of nursing homes)	NO	NO
Other absent household members (students)	YES/NO	YES/NO
All children who live in the residence, regardless of familial status	YES	NO
Shared custody children that live in HOME unit household at least 50% of the time	YES	NO

- If you include absent adults in the count of household members, you must include their income! (students)
- Children are almost always included in household count, but a minor's earned income is never included in household income

Who else? *(for reference)*

- Include all members of multi-generational households. HOME is always concerned with the definition of “household” and never the definition of “family.”
- If boyfriends/girlfriends are living in the household, they must be documented on the application and calculated into the household count/income. If there is any question about whether or not they live there, there must be documentation of evidence they live elsewhere (utility bill).
- If couples are separated/divorced/in the process, then document that with legal agreement/decreed and evidence they live elsewhere (lease, utility bill). In case of a deceased spouse, include their death certificate in documentation.
- Student heads of households: students under 24 do not independently qualify as a low-income household unless they meet the requirements of certain exceptions (identical to Section 8 requirements and includes exceptions such as veterans, married, persons with disabilities, or have dependent children)
- Students can count as members of other households

Step 2: Calculate Income

- Calculate gross income as defined by **Part 5**.
- We recommend using the HUD CPD Income Eligibility Calculator, a step-by-step process for determining income <https://www.hudexchange.info/incomecalculator/>
- Unless income changes are anticipated, you can assume that income will not change over the next 12 months
- **Two months** of “source documents” are required to verify
 - Several pay stubs that verify overtime, tips, and bonuses
 - Social Security Administration (SSA) letter (one annual letter is sufficient)
 - Tax returns (if circumstances have not changed since filing)
 - *If collecting tax return as sole source of income (b/c self-employed, etc.) then you must obtain a certified IRS copy by using form 4506 or 4506T*
 - *Tax returns can also be used to verify number of dependents and identify sources of income that are not reported on the application*

Part 5 Definition of Income

- Defined in 24 CFR Part 5
- Part 5 is the same as the Section 8 definition of income.
- Public housing authorities use the Part 5 definition.
- Projects also funded with LIHTC must use the Part 5 definition.

DO NOT use the IRS 1040 definition of income for projects funded by Lake County.

Part 5 Definition of Income

- Income inclusions and exclusions:
 - https://www.hudexchange.info/plugins/incomecalculator/assets/docs/HUD_P5_Inclusions_Exclusions.pdf
- Assets and imputed asset calculation:
 - Assets are any cash or non-cash item that can be converted to cash
 - Unlike LIHTC, which excludes assets less than \$5,000, HOME documents all assets
 - Asset income must be included in annual income
 - If asset produces no income, perform an “imputed asset” calculation (only if total assets are greater than \$5,000)
 - Calculate using the Passbook Rate
 - If assets are disposed of during the 2 years preceding the income determination and the asset was disposed of for less than fair market value, it must be counted as if the household still owned the asset
 - In practice, include the difference between the cash value and the amount actually received in disposition

Other issues *(for reference)*

- Tax returns
- Third-party verification
- Wage rates, variations in pay, and non steady pay (seasonal)
- Other sources of income (unemployment, self-employed)
- Household members with zero income
- Calculating adjusted income for the purposes of determining amount of tenant-based rental assistance or amount of rent for temporarily over-income HOME tenants

Step 3: Compare to HOME limits

- Make sure you are comparing the income to the HOME Income & Rent Limits document with the correct effective date
- When reviewing Income & Rent Limits, you are looking at 2 main items: the number of persons in the household (**household members**) and the amount of income (**household income**)
- If households are more than 8 persons, multiply the “4 person” limit by a predetermined multiplier to determine income limit (9 persons= 1.4x, 10 persons=1.48x, 11 persons=1.56x)

Step 4: Document

- The rental applicant file should include:
 - Tenant application with all household members and eligibility information*
 - If the unit is designated as High HOME or Low HOME
 - Income verification documentation (source documentation)*
 - Income calculation worksheet (HUD CPD calculator)*
 - Executed tenant lease
 - Annual income recertification documentation (source documents)
 - Adjusted income and tenant subsidy information (if subsidized with voucher/rental assistance)
 - Documentation of termination (if applicable)

*Homebuyer and homeowner applicant files should include all indicated with an asterisk

Annual Income Re-examinations

- Tenant income must be re-examined annually
 - *at the anniversary date of initial verification*
 - *at the lease renewal, or*
 - *on an annual schedule where all tenants are reviewed at the same time*

Questions on Part 2?



If you have a question about a specific unit you are responsible for, please contact:

Michele Slav

MSlav@lakecountyil.gov

Reminder: Eviction Moratorium

- March 27-July 24, 2020 – May be extended
- Applies to HOME, NSP, and CDBG
- An owner/property manager cannot:
 - Make, or cause to be made, any filing with the court of jurisdiction to initiate an eviction (e.g., an unlawful detainer action, complaint) for nonpayment of rent or other fees or charges; or
 - Charge fees, penalties, or other charges to the tenant related to nonpayment of rent.
- You must provide tenants with information about their due process rights under the HOME Program.

COVID Housing Relief Program (CHRP)

- Program for relief of up to 3 months of rent and utility bills for households impacted by COVID-19
 - Renters: Rent, gas, electric
 - Homeowners: Gas, electric
- Eligibility:
 - Lake County resident
 - Financial impact related to COVID-19
 - Household income at or below 80% Area Median Income (AMI)
 - Limited liquid assets
- Applicants should call 211

Thank you!

